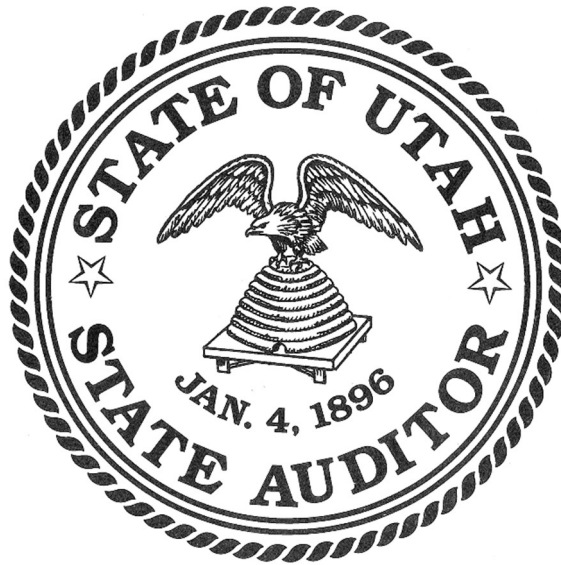


Utah State Fair Corporation

A Component Unit of the State of Utah

Annual Financial Report
and
Government Auditing Standards Report
For the Year Ended June 30, 2022

Report No. 22-37



Office of the
State Auditor

AUDIT LEADERSHIP:

John Dougall, State Auditor

Jason Allen, CFE, CPA, Audit Director

Caleb Tindall, CPA, Audit Supervisor

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OFFICE OF THE
STATE AUDITOR

Independent Auditor's Report

To the Board of Directors, Finance Committee
and
Larry Mullenax, Executive Director
State Fair Corporation

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the State Fair Corporation (the Corporation) as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Corporation, as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for twelve months beyond the financial

statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules of proportionate share of net pension liability and defined benefit pension contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required

supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2023 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.



Office of the State Auditor
Salt Lake City, Utah
June 8, 2023

Utah State Fair Corporation

Management's Discussion and Analysis

For the Year Ended December 31, 2022

As management of the Utah State Fair Corporation (Corporation), we offer the readers of the following basic financial statements this narrative overview and analysis of the financial activities of the Corporation for the year ended December 31, 2022.

This discussion and analysis is intended to serve as an introduction to the Corporation's basic financial statements. The Corporation's basic financial statements consist of Financial Statements and the Notes to the Financial Statements.

Financial Statements are designed to provide the readers with a broad overview of the Corporation's finances in a basis comparable to a private-sector business.

- The *Statement of Net Position* presents the information on all of the Corporation's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in the net position may serve as an indicator of whether the financial position of the Corporation is improving or deteriorating. However, other nonfinancial factors should also be considered.
- The *Statement of Revenues, Expenses, and Changes in Net Position* presents information on the revenues and expenses of conducting operations. The statement also presents information on the net position of the Corporation as affected by the operations during the year.
- The *Statement of Cash Flows* presents information about the cash flows of the Corporation during the year. The statement reconciles the operating income or loss to the net cash provided or used by operating activities.

The Notes to the Financial Statements are designed to provide detailed information about specific policies, accounts, and transactions to the reader for a better understanding of how the Corporation functioned during the year.

Financial Analysis

As noted earlier, the net position may serve over time as a useful indicator of the Corporation's financial position. The Corporation's assets exceeded its liabilities by \$11,825,978 as of December 31, 2022.

State of Utah Code 63H gives the Corporation the exclusive rights to manage the land and buildings of the Fairpark without an actual lease. The land and buildings are still owned by the State. Therefore, those assets do not appear on the Corporation's Statement of Net Position. Capital improvements made by the Corporation to the grounds and buildings are recorded as improvements. Most of the current assets of the Corporation are held in cash or cash equivalents to provide for the current operating expenses of conducting the annual Utah State Fair and rental operations during non-fair times.

Utah State Fair Corporation

Management's Discussion and Analysis

For the Year Ended December 31, 2022

CONDENSED STATEMENT OF NET POSITION

ASSETS:	12/31/2022	12/31/2021
Current and Other Assets	\$10,563,316	\$ 5,315,689
Capital Assets	1,915,352	1,429,100
Total assets	<u>12,478,668</u>	<u>6,744,789</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>293,394</u>	<u>199,049</u>
LIABILITIES:		
Current Liabilities	425,107	454,715
Noncurrent Liabilities	34,307	323,911
Total liabilities	<u>459,414</u>	<u>778,626</u>
DEFERRED INFLOWS OF RESOURCES	<u>(486,672)</u>	<u>(235,677)</u>
NET POSITION:		
Net investment in capital assets	1,881,046	1,429,099
Restricted	2,749,254	294,933
Unrestricted	7,195,678	4,205,501
Total net position	<u>\$11,825,978</u>	<u>\$ 5,929,533</u>

Total assets increased by \$5,733,879 during the year ended December 31, 2022. Capital asset book values increased by \$486,253 with the start of upgrades to the arena. Cash increased by \$4,123,830 due to a very successful fair and strong events, appropriation of \$325,000, capital appropriation of \$3,100,100, and the Employee Retention Credits of \$382,166.

Accounts payable increased \$20,894 in 2022. Total liabilities decreased by \$319,213 during the year ended December 31, 2022. This decrease was due to a change in our retirement liability of \$212,515 and the restatement of our equipment lease, due to GASB 87, of \$77,090. A net pension asset of \$121,654 was also established.

Approximately 40 percent of the net position represents resources that are subject to external restrictions on how they may be used. The unrestricted net position at December 31, 2022 is a surplus of \$7,195,678.

Utah State Fair Corporation

Management's Discussion and Analysis

For the Year Ended December 31, 2022

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	12/31/2022	12/31/2021
OPERATING REVENUES		
Admissions	\$ 2,540,556	\$ 2,891,870
Rentals and fees - state fair	1,870,011	1,681,964
Building rental - non fair	1,417,228	1,160,013
Parking	609,443	628,115
Sponsorships	245,978	625,076
Concessions - non fair	205,942	260,918
Other	253,983	262,018
Total operating revenues	7,143,141	7,509,974
NON OPERATING REVENUES / (EXPENSES)		
State Appropriation	325,000	325,000
ERC, PPP and Other Contributions	1,382,166	272,087
Interest Income / Gain on Sale of Assets	131,914	11,673
Interest on long term liabilities	-	-
Total nonoperating revenues	1,839,080	608,760
CAPITAL CONTRIBUTIONS		
Capital Appropriations	3,100,000	-
Total capital appropriations	3,100,000	-
Total Revenues	12,082,221	8,118,734
EXPENSES		
Salaries, Wages and Benefits	1,636,585	1,679,803
Actuarial determined pension expense	(30,023)	63,364
Travel	10,891	11,777
Advertising	305,373	339,740
Contractual and technical services	766,351	764,889
Professional Entertainment	1,563,469	1,553,452
Exhibit awards and premiums	141,237	137,715
Maintenance and Grounds	611,387	429,391
Other operating	257,556	269,170
Utilities	419,237	360,537
Insurance	72,632	61,213
Other Administrative	210,266	126,851
Depreciation and Amortization	227,264	193,429
Total Expenses	6,192,225	5,991,331
INCREASE/(DECREASE) IN NET POSITION	5,889,996	2,126,760
TOTAL NET POSITION - BEGINNING OF YEAR, AS ADJUSTED (NOTE 4)	5,935,982	3,802,773
TOTAL NET POSITION - ENDING	\$ 11,825,978	\$ 5,929,533

Utah State Fair Corporation

Management's Discussion and Analysis

For the Year Ended December 31, 2022

Corporation revenues increased by \$3,963,487. Corporation expenses increased by \$200,252 compared to 2021. A large portion of this increase was due to rising costs for maintenance and utilities.

The Corporation depends upon revenues from services provided, sponsorships for the annual state fair, and an appropriation from the Utah State Legislature as its principal sources of revenue. In the year ended December 31, 2022, the Corporation generated 70.6 percent of its own revenue and the Utah State Legislature provided 29.4 percent of the revenue. In 2021, the Corporation generated 95.9 percent of its own revenue and the Utah State Legislature provided 4.1 percent.

Amounts appropriated by the Legislature for the Corporation vary from year to year. The Corporation received \$325,000 in state appropriations in 2022. The state also provided \$3,100,000 for capital improvements to the arena. An additional \$1,000,000 was secured from the City of Salt Lake for the International Market and \$382,166 was generated by filing and receiving Employee Retention Credits from the IRS.

Because budget requests are subject to the Governor's budget action and legislative action, the Corporation's annual budget is made with assumptions for the upcoming session. We did receive appropriations for the current fiscal year and expect that future appropriations will also be subject to this type of fluctuation.

Capital Assets

The Corporation has a management agreement with the State of Utah for the use of the Fairpark grounds. The State of Utah owns the land and buildings situated at the Fairpark. The Corporation has made improvements to the buildings, grounds, and equipment at the Fairpark since the inception of a previous lease. The improvements to the buildings and grounds are recorded as improvements. If the Corporation's management agreement were not renewed, the improvements would become property of the State of Utah. The board of directors of the Corporation has authorized improvements to upgrade the facilities and improve the looks of the Fairpark.

In 2022, the Corporation implemented GASB 87. This required an adjustment to the way that our equipment lease was recorded. A right to use asset was established and the value was adjusted according to the new standards.

As mentioned above, the Corporation does not record state funded infrastructure such as land or buildings. However, capital projects initiated and funded by the Corporation are capitalized and depreciated, as discussed in the footnotes.

Utah State Fair Corporation

Management's Discussion and Analysis

For the Year Ended December 31, 2022

Requests for Information

This financial report is designed to provide a general overview of the Corporation's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Utah State Fair Corporation, 155 North 1000 West, Salt Lake City, Utah 84116.

Utah State Fair Corporation

Statement of Net Position

December 31, 2022

ASSETS

Current assets:

Cash and Cash equivalents (Notes 2 and 3)	\$	9,286,542
Accounts receivable, net (Note 2)		1,062,033
Accounts receivable - Related Parties		454
Prepaid expenses		92,633
Total current assets		<u>10,441,662</u>

Noncurrent assets:

Capital assets (Note 4):

Improvements		3,019,827
Furniture and Fixtures		252,744
Machinery and equipment		1,825,022
Vehicles		247,181
Less accumulated depreciation and amortization		<u>(3,429,422)</u>
Capital Assets Net (Note 4)		1,915,352
Net Pension Asset		121,654
Total noncurrent assets		<u>2,037,006</u>

Total assets	\$	<u>12,478,668</u>
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DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows Resources relating to Pensions		<u>293,394</u>
Total Deferred Outflows of Resources		293,394

LIABILITIES

Current liabilities

Accounts payable		146,762
Wages payable		79,201
Vacation payable		49,721
Sick leave liability		29,439
Payroll taxes payable		13,863
Retirement fund payable		25,122
Unearned revenue		80,999
Total current liabilities		<u>425,107</u>

Non-Current liabilities

Net Pension Liability (Note 8)		-
Capital Lease		<u>34,306</u>
Total non-current liabilities		<u>34,306</u>
Total liabilities		459,413

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows of Resources relating to Pensions		<u>(486,672)</u>
Total Deferred Inflows of Resources		(486,672)

NET POSITION

Net investment in capital assets		1,881,046
Restricted - expendable:		
Livestock		65,340
Capital Contributions		2,683,914
Unrestricted		7,195,678
Total net position	\$	<u>11,825,978</u>

The accompanying notes are an integral part of these financial statements

Utah State Fair Corporation

Statement of Revenues, Expenses, and Changes in Net Position For the Year Ended December 31, 2022

OPERATING REVENUES:

Admissions	\$ 2,540,556
Rentals and fees - state fair	1,870,011
Building rental - non fair	1,417,228
Parking	609,443
Sponsorships	245,978
Concessions - non fair	205,942
Miscellaneous income	253,984
Total Operating Revenues	<u>7,143,142</u>

OPERATING EXPENSES

Salaries, Wages and Benefits	1,636,585
Actuarial determined pension expense	(30,023)
Travel	10,891
Advertising	305,373
Contractual and technical services	766,351
Professional Entertainment	1,563,469
Exhibit awards and premiums	141,237
Maintenance and Grounds	611,387
Other operating	257,556
Utilities	419,237
Insurance	72,632
Other Administrative	210,266
Depreciation and Amortization	227,264
Total Operating Expenses	<u>6,192,225</u>
Net Operating Income	950,917

NON-OPERATING REVENUES / (EXPENSES)

State appropriations	325,000
ERC and Other Contributions	1,382,166
Interest income / Gain on Sale of Assets	131,913
Interest on long term liabilities	-
Total nonoperating revenues	<u>1,839,079</u>

CAPITAL CONTRIBUTIONS

State capital appropriations	3,100,000
Total Capital Contributions	<u>3,100,000</u>

INCREASE/(DECREASE) IN NET POSITION 5,889,996

TOTAL NET POSITION - BEGINNING OF YEAR, AS ADJUSTED (NOTE 4) 5,935,982

TOTAL NET POSITION - ENDING \$ 11,825,978

The accompanying notes are an integral part of these financial statements

Utah State Fair Corporation

Statement of Cash Flows

For the Year Ended December 31, 2022

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 7,841,108
Receipts from Auction Buyers and Sponsors	422,742
Payments to Suppliers	(4,957,285)
Payments to Auction Sellers and Vendors	(495,001)
Payments for Employee Services and Benefits	(1,842,534)
Net Cash Provided by Operating Activities	<u>969,030</u>
Cash Flows from Noncapital Financing Activities:	
Appropriations from the Utah State Legislature	325,000
Funds from Employee Retention Credit	382,166
Net Cash Provided by Noncapital Financing Activities	<u>707,166</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition of Capital Assets	(784,280)
Capital Appropriations	3,100,000
Principal Payments on Capital Asset Financing	-
Interest Payments on Capital Asset Financing	-
Net Cash Used by Capital and Related Financing Activities	<u>2,315,720</u>
Cash Flows from Investing Activities:	
Receipts of Interest from Investments	<u>131,914</u>
Net Cash Provided by Investing Activities	<u>131,914</u>
Net Increase / (Decrease) in Cash and Cash Equivalents	4,123,830
Beginning Cash and Cash Equivalents	<u>5,162,712</u>
Ending Cash and Cash Equivalents	<u>\$ 9,286,542</u>
Reconciliation of Net Operating Income to Net Cash Provided by Operating Activities:	
Net Operating Income	\$ 950,917
Difference between Actuarial Pension Expense and RFP	(177,519)
Depreciation and Amortization Expense	227,264
Changes in Assets and Liabilities	
Accounts Receivable and Inventory	15,094
Due from related parties	-
Prepaid Expenses	(8,667)
Accounts Payable and Other Liabilities	<u>(38,059)</u>
Net Cash Provided by Operating Activities	<u>\$ 969,030</u>

Utah State Fair Corporation

Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 1. Organization and Nature of Business

The Utah State Fair Corporation (Corporation) was created on July 1, 1995 by action of the Utah State Legislature (Utah Code, Section 63H-6-101 through 63H-6-107) as a public, nonprofit corporation. The Corporation was established to plan expositions of livestock, poultry, agriculture, domestic science, horticulture, floriculture, mineral and industry, manufactured articles, and domestic animals to stimulate and promote livestock breeding, agriculture, horticulture, mining, manufacturing, mechanical arts, creative arts, and educational pursuits of the people of Utah. The Corporation was also charged with the responsibility to provide, sponsor, and arrange for public entertainment, displays, and exhibits and publicize and promote the various events, securing funds to cover the cost of the exhibits from private contributions and public appropriations, admission charges, and by other lawful means.

The Corporation's board of directors is comprised of the director of the State of Utah's Division of Facilities Construction and Management (DFCM), the commissioner of the State of Utah's Department of Agriculture and Food, two members appointed by the president of the Senate, two members appointed by the speaker of the House, five members appointed by the governor, one member appointed by the mayor of Salt Lake City, and a representative of the Days of '47 Rodeo. An additional member may be appointed by representatives of Salt Lake County if Salt Lake County has a lease agreement with the Corporation. The majority of the board is appointed by the state. The board hires an executive director who serves at the pleasure of the board and may be terminated at the board's will.

The Corporation is a 501(c)(3) organization as determined by the Internal Revenue Service.

For financial reporting purposes, the Corporation is a discrete component unit of the State of Utah and has fiscal accountability to the state.

Economic Dependence

The Corporation has some economic dependence on the State of Utah to support continuing operations through general fund appropriations. The appropriation received during the year ended December 31, 2022 was \$325,000. A \$3,100,000 capital appropriation was also received from the state and is restricted for the upgrades to the arena.

Because the State owns the land and buildings of the Fairpark, the State is primarily responsible to fund maintenance of the buildings and infrastructure, and the Corporation is dependent on the State to fund such maintenance. A significant amount of deferred maintenance exists for the buildings and infrastructure at the Fairpark as defined in the DFCM's Utah State Fairpark Masterplan report presented

Utah State Fair Corporation

Notes to the Financial Statements
For the Year Ended December 31, 2022

in July of 2014. Per the DFCM Masterplan report, \$33 million over the next 20 years is needed to maintain the facilities at the Fairpark.

Note 2. Summary of Significant Accounting Policies

Basis of Accounting

The accounting and reporting policies of the Corporation conform with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The Corporation uses the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recognized when incurred. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the Corporation are included on the Statement of Net Position.

The Corporation distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from conducting the annual state fair and building rental operations during non-fair times. The principal operating revenues of the Corporation are admissions, rentals, fees, and sponsorships. Operating expenses for the Corporation include various expenses from conducting the annual state fair, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Corporation's policy to use restricted resources first, then unrestricted resources as they are needed.

Financial Statement Presentation

The Corporation's financial statements for the year ended December 31, 2022 will be included in the State of Utah's *Annual Comprehensive Financial Report (ACFR)* for the fiscal year ended June 30, 2023 as a discrete component unit of the State of Utah.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash, deposits, and short-term, highly liquid investments with original maturities of less than three months. The Corporation invests in the Utah Public Treasurers' Investment Fund (PTIF), an external investment pool managed by the State Treasurer. PTIF investments are considered cash equivalents.

Utah State Fair Corporation

Notes to the Financial Statements
For the Year Ended December 31, 2022

Restricted Cash

Both the operating account and the junior livestock auction account receive contributions that have been restricted based on the contributors' wishes. The amounts received in the operating account during the period under audit were restricted for use in paying awards and premiums, constructing special exhibits, expansion of facilities and conducting the rodeo at the annual state fair, as well as conducting other events at the Fairpark.

The contributions received in the junior livestock auction account are restricted for use in the junior livestock auction conducted during the annual fair and for auction committee expenses.

Because these donations support the day-to-day operations of the Corporation, the restricted cash is included in "Cash and cash equivalents" on the Statement of Net Position.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivables are primarily made up of receivable contracts for facility rentals by the State of Utah or private functions that are owed at December 31, 2022. The Statement of Net Position reflects the receivables of \$1,064,238, net of a \$2,204 allowance for doubtful accounts. Related party receivables are \$454. All of the related party receivables are with the State of Utah.

Accounts Payable

Accounts payable primarily include payables to the Corporation's vendors.

Pensions

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Utah Retirement Systems (Systems) Pension Plan, and additions to/deductions from the Systems' fiduciary net position have been determined on the same basis as they are reported by the Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows/Inflows of Resources

In addition to assets, financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of*

Utah State Fair Corporation

Notes to the Financial Statements
For the Year Ended December 31, 2022

resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

Note 3. Deposits and Investments

Utah Code, Section 63H-6-103(7)(a)(b) states that “the corporation is exempt from...Title 51, Chapter 7, State Money Management Act,” but that “the board shall adopt policies parallel to and consistent with...Title 51, Chapter 7, State Money Management Act.” The board of directors and management of the Corporation have authorized investments in financial instruments that are commonly used by state agencies, such as the Utah Public Treasurers’ Investment Fund (PTIF), and in qualified depositories as defined by the Money Management Act.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Corporation’s deposit may not be returned to it. The Corporation does not have a formal deposit policy for custodial credit risk. As of December 31, 2022, the Corporation had a bank balance of \$286,115, of which \$36,115 was not insured.

Investments

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the state, and review the rules adopted under the authority of the Money Management Act that relate to the deposit and investment of public funds.

The Corporation follows the requirements of the Money Management Act in handling its depository and investment transactions. The Act requires the depositing of Corporation funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

The Money Management Act defines the types of securities authorized as appropriate investments for the Corporation’s funds and the conditions for making investment

Utah State Fair Corporation

Notes to the Financial Statements
For the Year Ended December 31, 2022

transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the Corporation to invest in negotiable or nonnegotiable deposits of qualified depositories or permitted depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as “first tier” by two nationally recognized statistical rating organizations; bankers’ acceptances; obligations of the United States Treasury including bills, notes, and bonds; obligations, other than mortgage derivative products, issued by U.S. government sponsored enterprises (U.S. Agencies) such as the Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation (Freddie Mac), and Federal National Mortgage Association (Fannie Mae); bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated “A” or higher, or the equivalent of “A” or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Money Management Act; and the PTIF.

The Utah State Treasurer’s Office operates the PTIF. The PTIF is available for investment of funds administered by any Utah public treasurer and is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

Fair Value of Investments

The Corporation measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and,
- *Level 3:* Unobservable inputs.

At December 31, 2022, the Corporation had \$9,049,519 in the PTIF. These investments were valued by applying the December 31, 2022 fair value factor, as calculated by the Utah State Treasurer, to the Corporation’s December 31, 2022 balance in the PTIF. Such valuation is considered a *Level 2* valuation for GASB 72 purposes.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Corporation’s policy for managing its exposure to

Utah State Fair Corporation

Notes to the Financial Statements
For the Year Ended December 31, 2022

fair value loss arising from increasing interest rates is to comply with the Money Management Act. Section 51-7-11 of the Money Management Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270 days - 15 months or less. The Act further limits the remaining term to maturity on all investments in obligations of the United States Treasury; obligations issued by U.S. government sponsored enterprises; and bonds, notes, and other evidence of indebtedness of political subdivisions of the State to 5 years. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 3 years.

As of December 31, 2022, the Corporation's investment in the PTIF had an average maturity of less than 1 year.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Corporation's policy for reducing its exposure to credit risk is to comply with the Money Management Act, as previously discussed.

At December 31, 2022, the Corporation's investment in the PTIF was unrated.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Corporation's policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar amount held in the portfolio.

Note 4. Capital Assets

As explained in Note 1, the land and buildings of the Fairpark are owned by the State of Utah and managed by the Corporation. Maintenance and improvements funded by the State through the Division of Facilities Construction and Management are not reflected in the financial statements of the Corporation. Maintenance and capital improvements funded by the Corporation are reported in the financial statements as expenses and improvements, respectively.

Capital assets are recorded at historical cost. Donated assets are valued at their acquisition value at the date of donation. The useful lives of the assets vary between 3 and 21 years based on the type of asset. A salvage value is assigned to each asset

Utah State Fair Corporation

Notes to the Financial Statements

For the Year Ended December 31, 2022

varying from 0 to 16 percent based on the type of the asset. Depreciation is calculated on a straight-line basis on the depreciable basis for the useful life of the asset. Assets placed in service through the 15th of the month are depreciated from the beginning of the month in which they are placed in service. Assets placed in service after the 15th of the month are depreciated at the beginning of the next month.

The capitalization policy for the Corporation is to capitalize those assets with costs exceeding \$3,000 and a useful life greater than 1 year.

In 2022, the Corporation implemented GASB 87. This required an adjustment to the way that our equipment lease was recorded. A right to use asset was established and the value was adjusted according to the new standards. This change included a prior year adjustment of plus \$6,449 for a decrease in amortization expense.

The corporation has a 2 year lease extension until December 2024 for a piece of equipment. This lease is paid annually at the beginning of each term year, with a purchase option price of \$104,209. The annual principal and interest payment is \$15,586.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
2022	\$ 15,586	\$ -	\$ 15,586
2023	15,586	-	<u>15,586</u>
Total Lease Payments			\$ 31,172

Utah State Fair Corporation

Notes to the Financial Statements
For the Year Ended December 31, 2022

Depreciation and amortization expense for the period ended December 31, 2022 was \$227,264.

	<u>Balance at</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u>
	<u>12/31/2021</u>			<u>12/31/2022</u>
Capital Assets:				
Improvements	\$ 2,255,619	\$ 764,209	\$ -	\$ 3,019,828
Furniture and fixtures	245,447	7,296	-	252,743
Machinery and equipment	1,790,716	-	-	1,790,716
Vehicles	234,407	12,775	-	247,182
Right of use equipment	34,306			34,306
Total	4,560,495	784,280	-	5,344,775
Accumulated Depreciation and Amortization				
Improvements	1,648,399	90,539	-	1,738,938
Furniture and fixtures	139,228	21,720	-	160,948
Machinery and equipment	1,217,282	94,098	-	1,311,380
Vehicles	197,249	9,307	-	206,556
Right of use equipment	-	11,600		11,600
<u>Total</u>	3,202,158	227,264	-	3,429,422
<u>Net Capital Assets</u>	<u>\$ 1,358,337</u>	<u>\$ 557,016</u>	<u>\$ -</u>	<u>\$ 1,915,353</u>

Net Book Value

Improvements	\$ 1,280,890
Furniture and fixtures	\$ 91,795
Machinery and equipment	\$ 479,336
Vehicles	\$ 40,626
Right of use equipment	\$ 22,706
	\$ 1,915,353

Utah State Fair Corporation

Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 5. Long-Term Liabilities

The following is a summary of the changes to the Corporation's long-term liabilities during the year ended December 31, 2022.

	Balance at 12/31/2021	Additions	Reductions	Balance at 12/31/2022	Current Portion
Capital leases	\$ 34,306	\$ -	\$ -	\$ 34,306	\$ 7,430
Total Net Pension liability	212,515		212,515	-	-
Total	<u>331,340</u>	<u>-</u>	<u>212,515</u>	<u>34,306</u>	<u>7,430</u>

Note 6. Donations

Monetary Transactions

The City of Salt Lake donated \$1,000,000 for the operation and management of the International Markets.

Nonmonetary Transactions

Several entities donated services (e.g., advertising and equipment rentals) valued at \$14,837 to the Corporation for the annual state fair. These same entities also received benefits valued at \$4,120 from the Corporation (e.g., fair gate admission and entertainment admission). These services and benefits are recorded as revenues and expenses by the Corporation. The amount by which the value of services donated by the entities exceeded the value of benefits given to the entities is \$10,717 which is classified as "Sponsorships" operating revenue by the Corporation.

Note 7. Employee Retirement Plans

As required by State law, eligible employees of the Corporation are covered by defined benefit plans or defined contribution plans sponsored by the Utah Retirement Systems (Systems).

The Systems are established and governed by the respective sections of *Utah Code*, Chapter 49. The Systems' defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State

Utah State Fair Corporation

Notes to the Financial Statements For the Year Ended December 31, 2022

Retirement Board (URS Board) whose members are appointed by the Governor. The Systems are fiduciary funds defined as pension (and other employee benefit) trust funds and are a component unit of the State of Utah. Chapter 49 of the *Utah Code* grants the authority to establish and amend the benefit terms. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems. A copy of the report may be obtained by writing to the Utah Retirement Systems at 560 East 200 South, Salt Lake City, UT 84102 or visiting the website www.urs.org.

Defined Benefit Plans

Plan description: Eligible plan participants are provided with pensions through the Public Employees Noncontributory Retirement System (Noncontributory System) and the Tier 2 Public Employees Contributory Retirement System (Tier 2 Public Employees System) which are cost-sharing, multiple employer, public employee retirement systems.

The Tier 2 Public Employees System was created July 1, 2011. All eligible employees who have no previous service credit with any of the Systems prior to that date, are members of the Tier 2 Public Employees System.

Benefits provided: The Systems provide retirement, disability, and death benefits. Retirement benefits are as follows:

System	Final Average Salary	Years of Service Required and/or Age Eligible for Benefits	Benefit Percent per Year of Service	COLA**
Noncontributory System	Highest 3 years	30 years any age 25 years any age* 20 years age 60* 10 years age 62* 4 years age 65	2% per year all years	Up to 4%
Tier 2 Public Employees System	Highest 5 years	35 years any age 20 years age 60* 10 years age 62* 4 years age 65	1.5% per year all years	Up to 2.5%

**with actuarial reductions*

***All post-retirement cost-of-living adjustments are non-compounding and are based on the original benefit. The cost-of-living adjustments are also limited to the actual Consumer Price Index (CPI) Increase for the year, although unused CPI increases not met may be carried forward to subsequent years.*

Contributions: As a condition of participation in the Systems, employers are required to contribute certain percentages of salary and wages as authorized by statute and specified by the URS Board. Contributions are actuarially determined as an amount that is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. Contribution rates are as follows:

Utah State Fair Corporation

Notes to the Financial Statements
For the Year Ended December 31, 2022

	Employer Contribution
Noncontributory System (Tier 1)	22.19%
Contributory System (Tier 2) *	19.84%

* Tier 2 rates include a statutory required contribution to finance
the unfunded actuarial accrued liability of the Tier 1 plans.

For the period ended December 31, 2022, the Corporation contributed \$60,221 to the Noncontributory System and \$87,607 to the Tier 2 Public Employees System.

At December 31, 2022, the Corporation reported a net pension asset of \$121,654 and a net pension liability of \$0:

(Measurement Date): December 31, 2021

	Net Pension Asset	Net Pension Liability	Proportionate Share December 31, 2021	Proportionate Share December 31, 2020	Change (Decrease)
Noncontributory System	\$ 115,006	\$ -	0.0168323%	0.0157555%	0.0010768%
Tier 2 Public Employees System	6,648	-	0.0157084%	0.0172151%	-0.0015067%
Total Net Pension Asset/Liability	\$ 121,654	\$ -			

The net pension asset and liability were measured as of December 31, 2021 and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2021 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability is equal to the ratio of the employer's actual contributions to the Systems during the plan year over the total of all employer contributions to the System during the plan year. For the year ended December 31, 2022, pension expense of \$(30,023) was recognized. At December 31, 2022, the Corporation reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Utah State Fair Corporation

Notes to the Financial Statements
For the Year Ended December 31, 2022

	Outflows of Resources	Inflows of Resources
Differences between expected and actual experience	\$ 72,215	\$ 857
Changes in Assumptions	\$ 51,043	\$ 63
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 480,257
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 22,309	\$ 5,494
Contributions subsequent to the measurement date	\$ 147,827	\$ -
Total	\$ 293,394	\$ 486,671

The amount of \$147,827 was reported as deferred outflows of resources related to pensions resulting from contributions the Corporation made prior to fiscal year end but subsequent to the measurement date of December 31, 2021. These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended December 31,	Deferred Outflows (Inflows) of Resources
2022	\$ (52,758)
2023	\$ (109,545)
2024	\$ (107,370)
2025	\$ (78,751)
2026	\$ 1,282
Thereafter	\$ 6,037

Actuarial assumptions: The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 Percent
Salary Increases	3.25 - 9.25 Percent, Average, including Inflation
Investment Rate of Return	6.85 Percent, net of pension plan investment expense, including inflation

Utah State Fair Corporation

Notes to the Financial Statements
For the Year Ended December 31, 2022

Mortality rates were adopted from an actuarial experience study dated January 1, 2020. The retired mortality tables are developed using URS retiree experience and are based upon gender, occupation, and age as appropriate with projected improvement using 80% of the ultimate rates from the MP-2019 improvement assumption using a base year of 2020. The mortality assumption for active members is the PUB-2010 Employees Mortality Table for public employees, teachers, and public safety members, respectively.

The actuarial assumptions used in the January 1, 2021 valuation were based on the results of an actuarial experience study for the five-year period ended December 31, 2019.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class and is applied consistently to each defined benefit pension plan. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Expected Return Arithmetic Basis		
	Target Asset Allocation	Real Return Arithmetic Basis	Long-Term Expected Portfolio Real Rate of Return
Equity Securities	37%	6.58%	2.43%
Debt Securities	20%	0.28%	0.06%
Real Assets	15%	5.77%	0.87%
Private Equity	12%	9.85%	1.18%
Absolute Return	16%	2.91%	0.47%
Cash & Cash Equivalents	0%	-1.01%	0.00%
Totals	100%		4.89%
	Inflation		2.50%
	Expected Arithmetic Nominal Return		7.39%

The 6.85% assumed investment rate of return is comprised of an inflation rate of 2.50%, a real return of 4.35% that is net of investment expense.

Discount rate: The discount rate used to measure the total pension liability was 6.85%. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current contribution rate and that

Utah State Fair Corporation

Notes to the Financial Statements

For the Year Ended December 31, 2022

contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. The long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. Detailed information about the pension plan's fiduciary net position is available in the separately issued URS financial report. The discount rate does not use the Municipal Bond Index Rate. The discount rate was reduced from 6.95% to 6.85% from the prior measurement date.

Sensitivity of the proportionate share of the net pension asset and liability to changes in the discount rate: The following presents the proportionate share of the net pension liability (asset) calculated using the discount rate of 6.85%, as well as what the proportionate share would be if calculated using a discount rate that is one percentage point lower (5.85 percent) or one percentage point higher (7.85 percent) than the current rate:

	Proportionate Share of Net Pension (asset)/liability		
	1% Decrease (5.85%)	Discount Rate (6.85%)	1% Increase (7.85%)
Noncontributory System	413,025	(115,006)	(556,443)
Tier 2 System	39,613	(6,648)	(42,167)
Total	<u>\$ 452,638</u>	<u>\$ (121,654)</u>	<u>\$ (598,610)</u>

Defined Contribution Plans

Retirement plan employees are also eligible to participate in deferred compensation 401(k) and 457 defined contribution plans. These plans are available as supplemental plans to the basic retirement benefits of the Systems and as a primary retirement plan for some Tier 2 Public Employees System participants. Under certain IRS and plan restrictions, employees can make additional contributions. Eligible employees may also contribute to Roth IRA plans offered by Utah Retirement Systems as supplemental retirement plans.

For employees participating in defined benefit plans, the Corporation is also required to contribute 0.89-1.5 percent of the employee's salary into a 401(k)/457 plan. For employees who choose to participate in the Tier 2 defined contribution plan, the Corporation is required to contribute 20.02 percent of the employee's salary, of which 10 percent is paid into a 401(k)/457 plan while the remainder is contributed to the Tier 1 Public Employee Systems, as required by law. Employee and Employer contributions to the 401(k)/457 plans for the fiscal years ended December 31, 2022, 2021 and 2020 were as follows:

Utah State Fair Corporation

Notes to the Financial Statements
For the Year Ended December 31, 2022

	2022	2021	2020
1(k) Plan			
Employer Contributions	\$ 29,074	\$ 38,691	\$ 34,625
Employee Contributions	\$ 34,188	\$ 31,559	\$ 27,910
7 Plan			
Employer Contributions	\$ -	\$ -	\$ -
Employee Contributions	\$ 5,600	\$ 9,190	\$ 12,852
th IRA Plan			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	\$ -	\$ 2,900	\$ 200

Note 8. Risk Management and Insurance

The Corporation is at risk for loss from general liability, property damage, and worker injury. The risk for general liability and property damage is handled by paying insurance premiums to the State of Utah Risk Management Fund. The risk for worker injury is handled by paying insurance premiums to the Workers Compensation Fund of Utah (WCF).

The right of the Corporation is to have legitimate claims paid by Risk Management and WCF. The responsibility of the Corporation is to conduct operations in a prudent and safe manner and make timely premium payments. The right of Risk Management and WCF is to have the Corporation pay its premiums and conduct operations in a prudent and safe manner. The responsibility of Risk Management and WCF is to pay legitimate claims promptly.

Note 9. Litigation

During the 2020 Utah State Fair, a vendor had a slip and fall accident. The Fairpark was served on September 28, 2021. The firm of Parsons Behle & Latimer has accepted our tender of defense request and will be representing the Fairpark on the matter.

Note 10. Related Party Transactions

The State of Utah's Drivers License Division currently pays the Corporation \$8,243 every month to use office space located on Fairpark property.

Utah State Fair Corporation

Notes to the Financial Statements

For the Year Ended December 31, 2022

Note 11. Subsequent Events

During the 2023 spring legislative session, S.B. 187 was passed and signed into effect by the Governor on March 23, 2023. This bill creates the State Fair Park Authority as a successor entity to the Utah State Fair Corporation. This change should take effect by the end of the year. The change allows the State Fair Park to collect and share in tax revenues generated on Fair Park property and as a taxing authority, sell tax free bonds. Bond revenue will be used for future development of the State Fair Park property.

Utah State Fair Corporation

Required Supplementary Information

For the Year Ended December 31, 2022

***Schedule of Utah State Fair Corporation's Proportionate Share of the Net Pension Liability
Noncontributory & Tier 2 Public Employees Systems of the Utah Retirement Systems***

	December 31, 2021	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014
<i>Noncontributory System</i>								
Proportion of Net Pension Liability (Asset)	0.016832%	0.015755%	0.015961%	0.015213%	0.016844%	0.016091%	0.014703%	0.014979%
Proportionate Share of Net Pension Liability (Asset) \$	(115,006)	210,040	354,604	566,013	395,767	521,489	461,863	376,339
Covered Payroll \$	295,439	252,273	298,116	366,697	359,977	342,699	296,440	296,134
Proportionate Share of Net Pension Liability (Asset) as a Percentage of Covered Payroll	-38.93%	83.26%	118.95%	154.35%	109.94%	152.17%	155.80%	127.08%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	102.70%	94.30%	90.10%	84.10%	89.20%	84.90%	84.50%	87.20%
<i>Tier 2 Public Employees System</i>								
Proportion of Net Pension Liability (Asset)	0.015708%	0.017215%	0.017061%	0.009827%	0.010144%	0.028787%	0.042640%	0.065145%
Proportionate Share of Net Pension Liability (Asset) \$	(6,648)	2,476	3,837	4,208	894	3,211	(93)	(1,974)
Covered Payroll \$	291,100	275,384	236,845	114,140	99,198	236,071	275,304	319,817
Proportionate Share of Net Pension Liability (Asset) as a Percentage of Covered Payroll	-2.28%	0.90%	1.62%	3.69%	0.90%	1.36%	-0.03%	-0.62%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	103.80%	98.30%	96.50%	90.80%	97.40%	95.10%	100.20%	103.50%

* The Corporation implemented GASB Statement No. 68 in fiscal year 2015. Information on the Corporation's contributions will eventually be presented to include a ten-year history.

Utah State Fair Corporation

Required Supplementary Information

For the Year Ended December 31, 2022

Schedule of Utah State Fair Corporation's Defined Benefit Pension Contributions Noncontributory & Tier 2 Public Employees Systems of the Utah Retirement Systems ¹

Noncontributory System

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually Required Contribution	\$ 60,221	\$ 56,650	\$ 50,255	\$ 56,839	\$ 75,184	\$ 74,385	\$ 72,531	\$ 63,500	\$ 61,398
Contributions in Relation to the Contractually Required Contribution	<u>60,221</u>	<u>56,650</u>	<u>50,255</u>	<u>56,839</u>	<u>75,184</u>	<u>74,385</u>	<u>72,531</u>	<u>63,500</u>	<u>61,398</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 323,050	\$ 296,058	\$ 252,273	\$ 298,116	\$ 366,697	\$ 358,780	\$ 340,305	\$ 296,440	\$ 296,134
Contributions as a Percentage of Covered Payroll	18.64%	19.13%	19.92%	19.07%	20.50%	20.73%	21.31%	21.42%	20.73%

Tier 2 Public Employees System*

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually Required Contribution	\$ 63,434	\$ 56,145	\$ 52,480	\$ 44,865	\$ 21,357	\$ 18,206	\$ 43,059	\$ 50,514	\$ 56,318
Contributions in Relation to the Contractually Required Contribution	<u>63,434</u>	<u>56,145</u>	<u>52,480</u>	<u>44,865</u>	<u>21,357</u>	<u>18,206</u>	<u>43,059</u>	<u>50,514</u>	<u>56,318</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 322,384	\$ 291,100	\$ 275,384	\$ 236,845	\$ 114,140	\$ 99,198	\$ 236,071	\$ 276,650	\$ 319,817
Contributions as a Percentage of Covered Payroll	19.68%	19.29%	19.06%	18.94%	18.71%	18.35%	18.24%	18.26%	17.61%

* Tier 2 rates include a 9.94% required contribution to finance the unfunded actuarial accrued liability of the Tier 1 systems.

**The Tier 2 Contributory System began enrollments in fiscal year 2012. Prior to the implementation of GASB Statements No. 68 and 71, Tier 2 information was not separately available.

Information on the Corporation's contributions will eventually be presented to include a ten-year history



OFFICE OF THE
STATE AUDITOR

Independent Auditor's Report

On Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors, Audit Committee
and
Larry Mullenax, Executive Director
State Fair Corporation

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the State Fair Corporation (the Corporation), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Corporation's financial statements, and have issued our report thereon dated June 8, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or to detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control

that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, pursuant to *Utah Code* Title 63G Chapter 2, this report is a matter of public record, and as such, its distribution is not limited.



Office of the State Auditor
Salt Lake City, Utah
June 8, 2023